

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2010-409-E - ORDER NO. 2011-95  
FEBRUARY 1, 2011

IN RE:	Application of South Carolina Electric & Gas Company for Authority to Transfer, at Book Value, Certain Real Property to SCANA Services, Incorporated and to Carolina Gas Transmission Corporation	)	ORDER APPROVING PROPERTY TRANSFERS
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This matter comes before the Public Service Commission of South Carolina (“Commission”) on the Application of South Carolina Electric & Gas Company (“SCE&G” or “the Company”) for approval of the transfer of certain real property.

SCE&G owns two tracts of land consisting of approximately 382 acres located near the intersection of 12<sup>th</sup> Street and Interstate 77, in the area of Cayce, South Carolina. The Application states that the collective book value of the two tracts of land is \$392,119.18. SCANA Corporation (“SCANA”) recently completed construction of its administrative offices on approximately one hundred (100) acres of Tract 1, which consists of approximately 219 acres. Tract 1, including the mass grading charges, is classified as non-utility property on the Company’s books and is not included in SCE&G’s rate base. The Application reveals that the Company has not included any costs associated with Tract 1 in any utility rates or rate calculations. SCE&G requests permission to transfer this tract to SCANA Services, Inc. at book value, with associated mass grading charges.

Tract 2 consists of approximately 163 acres. The Application reveals that SCE&G allowed Carolina Gas Transmission (“CGT”) to construct a Field Operations Facility on 11.2 acres of Tract 2 and within SCE&G’s 154-acre Operations Complex. Tract 2 is classified as common utility property and only that portion of Tract 2 that is allocable to SCE&G’s gas operations is included within the rate base for the Company’s gas operations and has been included within the rate base since October 14, 2010. The Company requests permission to transfer this tract to CGT at book value, and the associated mass grading costs. If the Commission grants this relief, then SCE&G will remove the 11.2 acres from its rate base during its next filing made pursuant to the National Gas Rate Stabilization Act under S.C. Code Ann. Section 58-5-410 et seq. (Supp. 2010).

In sum, SCE&G requests authorization to (1) transfer, at book value, 100 acres and the associated mass grading costs to SCANA Services, and (2) to transfer, at book value, 11.2 acres and the associated mass grading costs to CGT.

Commission Order No. 92-931 generally requires that SCE&G will dispose of real property at fair market value. SCE&G is informed and believes that the intent of that provision was, among other things, to prevent the transfer of property at discounted values from regulated to unregulated entities. In the present case, SCE&G has allowed SCANA Services and CGT to use a portion of its property. As stated above, Tract 1 is classified on SCE&G’s books as non-utility property, while Tract 2 is being carried on SCE&G’s books as common utility property, subject to the relevant portion being transferred to non-utility property.

In the case of Tract 1, transferring 100 acres to SCANA Services at book value ensures that SCANA's consolidated asset base remains the same after the land transfer and, in turn, ensures that SCE&G's customers do not feel any of the detrimental effects that might occur if Tract 1 were carried on SCANA Services' books at the higher fair market value, i.e., increase property taxes.

In the case of Tract 2, both SCE&G and CGT are regulated utilities. If SCE&G were to transfer 11.2 acres to CGT at fair market value, then under accepted utility accounting standards, SCE&G would be required to recognize a gain on the transfer, which it would then book into FERC account 421.1 Gain on Disposition of Property which is a non-utility account. Further, if CGT were to book the property in its accounts at fair market value rather than at book value, then CGT's rate base would increase in an amount equal to the fair market value of the land. Because SCE&G is a customer of CGT, a fair market value transaction would adversely affect SCE&G and its natural gas customers in the form of additional costs for gas service. Therefore, SCE&G requests that this Commission issue an Order authorizing SCE&G to transfer 100 acres and the associated mass grading costs to SCANA Services at book value, and to transfer 11.2 acres and the associated mass grading costs to CGT at book value.

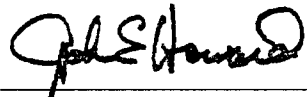
The Office of Regulatory Staff reviewed Company documentation on this matter and states that granting the requested relief in this case will allow the Company's records to reflect the true economic usage of the properties.

We agree with both the Company's and ORS's reasoning in this matter, and we therefore approve the Application of SCE&G to transfer 100 acres and the associated

mass grading costs to SCANA Services, Inc. at book value and to transfer 11.2 acres and the associated mass grading costs to Carolina Gas Transmission Corporation at book value. As recognized in ORS' letter of January 18, 2011, these transfers will allow the Company's records to reflect the true economic usage of the properties.

This Order shall remain in full force and effect until further order of the Commission.

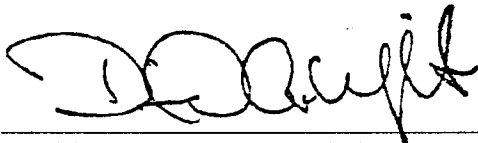
BY ORDER OF THE COMMISSION:



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John E. Howard, Chairman

ATTEST:



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David A. Wright, Vice Chairman

(SEAL)